

TESTIMONY PRESENTED BY:

**Tuskegee University in cooperation with other 1890 Land Grant Universities
and Community Based Organizations, including the Rural Coalition and
Federation of Southern Cooperatives**

**Agricultural Credit Conditions and lending Activities
and programs of agricultural lenders**

**Recommendations to improve credit availability
and services to U.S. farmers and ranchers**

**Presented to the Subcommittee on Conservation, Credit,
Rural Development and Research
United States House of Representatives
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The following testimony is presented to the U.S. House of Representatives Subcommittee on Conservation, Credit, Rural Development and Research on behalf of the Tuskegee University Small Farm Rural Economic Development Center and the family of 1890 Land Grant Institutions and Community Based Organizations, including the Rural Coalition and the Federation of Southern Cooperatives as it relates to access to credit by minority and small scale farmers.

The family of 1890 Land Grant Institutions and Community Based Organizations referenced above represent culturally diverse organizations of small-scale farmers of all races and in every region of the nation. We represent minority and other small-scale farmers. Among them are African-American, Native American, Hispanic and Latino, as well as Asian and other minority groups.

INTRODUCTION

Tuskegee University belongs to the family of 1890 Land Grant Universities and work collaboratively with community based organizations. Tuskegee University's mission as well as its partners focus on the minority and small-scale, limited resource, and specifically, the African American farmer. It is somewhat ironic that the status of the minority and small-scale farmer particularly the African American farmer is discussed under the aegis of landowner rights and responsibilities given that they have had these rights for the better part of the 20th Century. **In outline form for example:**

The African American farmer as does all minority and small-scale farmers have:

The right to farm: at their height in 1920, there were 925, 708 African American farmers in the United States. By 1997, this number had declined by 98%, to 18,451

The right to obtain and retain land: land has productive, economic, social and spiritual components attached to it; yet, no group has lost so much of their land over time than the African American farmer. In 1910, these farmers controlled 15,961,506 acres in full ownership; by 1997 there were only 1,095, 093 acres in full ownership, a decline of 93%

The right to access to financial and program support: no group has qualified, based on their limited resource status, for USDA financial and program support, Commercial Bank or other farm credit system support, but such support has been denied them as documented by the United States Commission on Civil Rights Report: The Decline of the Black Farming in America (1982); and the more recent Report of the USDA National Commission on Small Farms: A Time to Act (1998), and the USDA: Implementation of the Civil Rights Action Team Report at USDA (1997). The criteria used by the USDA to determine eligibility systematically discriminated against the minority and small-scale farmer because it does not take into account the low financial status of young beginning small farmers in comparison to larger scale farmers who having accumulated wealth over the past 400 years.

The right to equity: in terms of research dollars spent on their needs, as well as, equity in review by the local committee system. The sources cited above say this is still not occurring.

The minority and small-scale family farmers share a strong belief that the abundance of the food system should be shared by all, and that a widely-held system of land ownership is fundamental to a democratic society.

All minority and small-scale farmers have employed determination and creativity to remain on the land. They have cooperatively derived new methods to diversify production, produce value-added products and enter new markets. Despite the fact that a majority of the minority and small-scale family farmers have been underserved or denied access to the programs of the U.S. Department of Agriculture, particularly credit, and have been victim to irresponsible commodity, trade and supply management policies, they have worked diligently together to develop creative ways for survival.

At the same time, minority and other small farmers remain also on the wrong side of the digital divide, lacking access to computers and training to keep records and manage finances and gain access to information and e-commerce opportunities. In addition, federal programs provide few resources to assist farmers who seek to improve their marketing methods.

The United States Government has:

The responsibility: to see that these rights are enforced. There must be equitable access to credit as well as equitable delivery of programs and services in order to provide a safety net for all minority and small-scale farmer, especially in the area of credit.

SUPPORTING SMALL FARMS OF THE NEW MILLENNIUM

The current structure of agriculture programs strongly favors large producers over small. Recent increases in the payment limitation and return to annual and untargeted disaster relief subsidies, while politically feasible as emergency response, have enlarged and redirected farm support payments to even-larger farmers.

These policy changes have resulted in a continually declining proportion of agriculture spending supporting the small farm sector. In addition, many minority and other small producers who do not produce program crops have not participated in agriculture programs at all.

The farmers are dependent upon declining sources and access to federal credit programs, leaving their families in a continuing cycle of debt without any real access to markets. Farms are managed for survival rather than sustainability or viability, and for many of these producers, crop insurance is unaffordable, inaccessible and does not serve the needs of farmers in non-program or diversified operations.

At the same time, minority and other small farmers remain also on the wrong side of the digital divide, lacking access to computers and training to keep records and manage finances and gain access to information and e commerce opportunities. In addition, federal programs provide few resources to assist farmers who seek to improve their marketing skills. The point here is that if lack of access to capital coupled with the challenges outlined above, it makes it extremely difficult for the small-scale family farmer to sustain a viable farm operation.

I. EQUITABLE ACCESS TO USDA PROGRAMS

Additional measures are necessary to assure that USDA programs reach all eligible producers, especially those who are historically underserved. Participation in loan, commodity and other programs remains low among minority producers and few incentives are provided to those who operate the programs to do better. At the same time, producers who have not previously participated in various loans, commodity and other programs should have the opportunity to do so.

RECOMMENDATIONS:

- 1. Establish Target Participation Rates** for minority and small producers in all programs, including loans and commodity programs, and publish a yearly county-by-county report of participation.

This program is modeled on a provision passed in the 1987 Agriculture Credit Act, which instituted target participation rates for minority producers in farm ownership and operating loans.

A percentage of minority producers compared to other producers are calculated in each county. Participation in credit programs is then compared to the number of producers in the county.

Target participation rates can be an effective tool in evaluating the need for additional outreach in areas where minority producers are concentrated. A similar formula for small farmers could also be applied.

- 2. Provision of Equitable Services to All Producers** – Congress, in its consideration of the Waiver of the Statute of Limitations, and related efforts to settle old discrimination complaints against USDA, reviewed equitable program access that began during the Farm Bills of 1985 and 1990. We propose that the committee again review accomplishments, and with groups like ours, continue to identify key issues to secure equitable access. A system is also needed to monitor current programs to ensure that they are fairly serving minority and other small farmers. The target participation rate standards recommended above could form the basis of such a system; it has been long recommended the establishment of a minority farm registry, which has been approved by OMB but which remains halted within USDA.

In addition, election procedures and participation in USDA county committees remains inequitable and may inhibit the equitable allocation of resources, particularly loans among

minority, beginning and limited resource farmers. We urge this committee to work with us to find the appropriate place to address this issue both in the farm bill debate and in the legislation.

NEW RESEARCH AND BACKGROUND ON ACCOMPLISHMENTS OF SMALL FARMERS IN THE MILLENNIUM

Small farmers envision a future for their enterprises and their sector. Our recent efforts have yielded information, ideas, and experiences to help develop small farm potential in the new millennium.

RESEARCH FINDINGS ON THE NEEDS OF SMALL FARMS

In preparation for the 2002 Farm Bill debate, the Rural Coalition, Missouri Rural Crises Center and the Federation of Southern Cooperatives/Land Assistance Fund have been working together on a grassroots research effort to obtain policy input from limited resource, minority small independent agricultural producers. With assistance from a dedicated group of young researchers in the Missouri Action Research Connection based at the University of Missouri, and support from the US Programs of Oxfam America, there will soon be a complete documentation of findings.

One of the goals of the research was to learn more about the dreams and aspirations of small farmers. The majority had simple visions of farms relatively the same size of what they currently have, only more viable than their current operations. Many participants noted no one had ever asked them before about their dreams. A large number saw cooperatives and collaborative methods as integral to their view of agriculture.

The research methods, including listening sessions, focus groups, surveys and dialogue, aimed to learn more about farmers experience and needs related to agriculture programs and services. The input of diverse groups – including small and minority farmers of diverse cultures – have provided on agriculture and USDA programs and services informs the policy proposals they prepared. It is our shared goals to assure that our diverse group of small farmers and farm-workers have the opportunity to have their specific program needs and policy proposals heard as the Farm Bill is debated. Final results will incorporate input from over 1500 limited resource, minority and small farmers across the U.S.

Regardless of size, race or region, farmers echoed common concerns regarding food safety, security and the importance of a fair price. Their input reflected a strong desire to make a living from the land through protection and promotion of family farms, strong rural communities and a healthy environment. Overwhelmingly, they identified and underscored the important role of their cooperatives and community-based organizations in strengthening farms and supporting a strong community based food system. They also articulated the need for more access to outreach and technical assistance provided through their community-based organizations.

Minority and other small farmers noted that limited access to accurate and timely information was a problem in all regions and areas of production. Many expressed the feeling that information regarding market prices and government programs is not made readily available to small farmers and that information that is made available is not always relevant to their size or type of production.

Research among all populations of minority farmers (including African American, Asian and Latino) demonstrated they had little to no awareness or knowledge of USDA programs and services. As compared to other farmers represented among our members. The only groups of minority farmers who had greater awareness and familiarity with USDA programs, or who had participated in programs were in areas served by the Section 2501 Minority Outreach and Education Program established in the 1990 Farm Bill.

Access to USDA programs and services, especially loan programs, were limited for all small producers due to barriers including program vs. non-program crops, size of production, location and language. Many failed to mention USDA agencies at all when asked who helped them; often their positive or negative opinions of USDA were based on their interaction with a single person.

The research shows that small farmers want to be involved in the development and implementation of agricultural programs. They emphasized that programs must be more responsive to local needs, more easily accessible and use locally relevant conduits for communication. They clearly and independently over and over stated the need for a flexible small farm program that met a multiplicity of needs of independent food producers. Likewise, they felt their needs would be better served with more support at the local level for their own community-based organizations and cooperatives to provide outreach and technical assistance.

The need for supply management through non-recourse loans and farmer owned grain reserve was voiced by those both who grow commodities and others. Most also exhibited a generosity of spirit, providing strong support for US Food Aid programs and food assistance to all who need it.

Small Farm Commission Research/Small and Limited-Resource Farm Issues

Small and limited-resource family farms are defined as farms on which the day-to-day labor management are provided by the farmer and/or the farm family who own the production or own or lease the productive assets. Further, small and limited-resource farms are those that earn a gross income from farming operations or more than \$1,000 but less than \$250,000 annually.

Small and limited-resource farms face challenges similar to those of all production agriculture operations. At issue is the availability of government assistance to these farms. Currently, they mainly receive assistance from the government for conservation cost-sharing and technical assistance, risk management, federal loan programs, commodity programs, and loans for beginning farmers.

Participation by small and limited-resource farms in the general farm programs, particularly loan programs, described earlier in this report is constrained by several factors. The conditions and provisions of many of the federal farm programs require basing payments to producers on a historical acreage of traditional commodity crops. Many small and limited-resource farms grow non-program crops, so their participation is limited. For example, a farmer who has no history of producing program crops is not eligible under the 1996 FAIR ACT to receive direct government assistance in the form of production flexibility contract payments. Also, provisions in some legislation prohibit farmers who have had debt forgiveness from receiving future USDA loans and/or credit assistance. In addition, conservation cost-sharing programs such as the Environmental Quality Incentives Program (EQIP) specify that participants enter into a five-year contract to receive assistance. Many small and limited-resource farmers are excluded from effectively participating in potentially beneficial programs such as EQIP because they rent their land on an annual basis. **This affects the financial status of minority producers of systematically denies equal access to farm programs which ultimately affects credit.** Cash flow is essential to the minority and small-scale farmers just as it is to large-scale farmers. Access to support programs are necessary to achieve cash flow, which is ultimately analyzed by agricultural lenders to determine credit worthiness and repayment ability.

Recommendation of the Commission (These recommendations are supported by entities represented in testimony today)

The Commission on 21st Century Production Agriculture recognized the importance and value of the small family farm in production agriculture and rural communities. The Commission further recognizes the significant impact that government policy has on the economic condition of small family farms.

The Commission acknowledges the work of the National Commission on Small Farms. The National Commission on Small Farms was created in 1997 by order of USDA regulation to “gather and analyze information regarding small U.S. farms and ranches and recommended to the Secretary of Agriculture a national strategy to ensure their continued viability in U.S. agriculture, including specific measures which could be adopted by the public, non-profit and private sectors to enhance the economic livelihood of small farms. Its work continues in the activities of USDA’s Advisory Committee on Small Farms.

The Commission believes that the USDA Advisory Committee on Small Farms is well positioned to advise lawmakers on policy matters and should be the lead group in this issue area. The Commission also believes that it is the role of government to develop and fund programs that meet the special needs of small and limited-resource farmers. Accordingly, the Commission recommends that several specific areas warrant consideration by the Small Farms Advisory Committee as well as by legislators and policymakers.

The Commission recommends formalizing by congressional authority the work of the Small Farms Advisory Committee as part of the U.S. Department of Agriculture, providing appropriate staff and appropriations.

AREAS FOR CONSIDERATION BY THE COMMITTEE (U.S. HOUSE OF REPRESENTATIVES)

Assistance for Beginning Farmers

Currently, the Farm Service Agency (FSA) offers several loans for beginning farmers and ranchers. FSA provides guaranteed and direct farm ownership loans as well as guaranteed and direct farm-operating loans. FSA also provides a joint financing plan to beginning farmers that lends 50 percent of the amount financed at a reduced interest rate with other 50 percent or more provided by another lender. FSA also offers acquired farm property first to eligible beginning producers at the appraised market value. In addition, FSA has a Down Payment Farm ownership Payment Loan Program to assist farmers and ranchers in purchasing a farm. This program also provided retiring farmers with a means of transferring land to a future generation of farmers and ranchers. The Commission recommends examining existing state programs and the development of nationwide programs that facilitate established farmers in assisting beginning farmers.

To aid future generation of minority and small-scale procedures, a matching grant program could allow beginning farmers to build equity rather than debt. The matching funds may provide less incentive for beginning farmers to choose a debt-laden, capital-intensive approach to financing their farming operation.

Minority Small and/or Limited-Resource Farms Registry

The development of a voluntary directory of farms and ranches with cooperation from local agricultural agencies could help identify minority small and/or limited-resource farms in need of specific assistance.

Small-Farm Competitiveness

Funding programs such as the Outreach and Technical Assistance Program for Socially Disadvantaged and Minority Farmers (Sec.2501) program, the Farm Ownership Direct Loan Program, and the Farm Operating Direct Loan Program, at their maximum authorized levels may aid the competitiveness of the nation's small and limited-resource farms. The appropriations for the Sustainable Agriculture Research and Education program as well as the Rural Technology and Cooperative Development Center Grant program could be increased to serve additional under-served farms.

Financial assistance could be provided to help develop small-producer cooperatives that could allow smaller producers to pool capital and expertise to add value to their production and ultimately improve their income, which would ultimately improve credit worthiness.

Conclusions/Additional Recommendations:

1. Additional resources need to be redirected to the Small Farm Community for access

to all programs. Target Direct Loan and Guarantee Loan Program for additional funding to minority and small-scale producers. **Agricultural credit programs** currently proposed are increased by \$765 million over last year. Total loan authorization level is \$3.855 billion, which is the same as the President's request. A proportionate amount should be directed at minority and small-scale producers.

2. The USDA is the lender of last resort, however there are so many unwarranted requirements and stipulations placed on loans to small-scaled producers including liens on homes. The farm operation assets should be adequate. Non-farm assets should be distinguished from farm assets. Recommitment to USDA's mission as the "lender of last resort," is needed; by focusing greater attention to serving credit needs of minority and small-scaled producers and beginning farmers.
3. Small-scaled farmers have a "safety net necessity" just as large farmers do. There is no program for small farmers. One recommendation would be to provide a new "Small Farms of the New Millennium" support programs aimed at minority and small-scale producers. These producers would receive a minimum \$10,000 subsidy per year.
4. Legislation should be proposed to repeal the provision that prohibit farmers who have previously had any "debt forgiveness" from receiving USDA loans or credit assistance. The debt collection and offsetting regulations have created unsolvable conditions for small

- Waiver of offsets.

6. Renewal and extension of the use of target participation rates for USDA agriculture programs

The use of target participation rates to evaluation participation in programs and requirements for reporting of participation in direct, guaranteed and beginning farmer lending programs should be renewed and extended. Prior legislation to implement target participation rate monitoring and reporting for operating loans and farm ownership loans should be reported on and similar programs should be extended to all programs, including those for beginning farmers. The following are recommendations to support these priorities.

- Calculate target participation rate for every county for each minority population compared to overall population, as established in 1987 Agriculture Credit Act. This information should be posted on the USDA web-site.

- Participation rates should be published on the web-site comparing minority participation and overall participation in every program.

- A report to Congress shall be done on the implementation of target participation rate in farm ownership and farm operating loans. This report should be published on the USDA web-site.

- State by state and national compilations should also be reported for everything above.

7. Improved program equity, compliance, and public information

USDA should improve equitable access to all programs of the department; strengthen support for the efforts of community-based organizations and educational institutions to accomplish this access; collect of and disclose information on the participation rates of minority and other limited resource farmers in all structures, committees and programs of the department; extends the use of target participation rates for monitoring participation; establishes a minority farm registry; requires collection and disclosure of data on the numbers and manners of resolution of civil rights complaints and appeals by county, and provides for a yearly report to Congress summarizing by state the number and type of employee actions by grade level and agency; requires findings of discrimination to be included in employee personnel records and in job performance evaluations; and prohibits an retaliation toward employees for handling of evaluation of civil rights actions or appeals; establishes a strong system of compliance monitoring; and corrects other disparities in the operation of programs; increases authorizations and makes mandatory funding for key programs and accomplishes other purposes. The following are recommendations.

- Establishment of clear and direct authority in all USDA programs which serve farmers to enter into grants and contracts for outreach and technical assistance with qualified community based organizations and educational institutions.

- Require the USDA to compute and disclose target participation rates and apply them to compare and disclose participation of minority farmers and other farmers in all programs serving farmers
- Require posting and updating of all data in sections 402- above on USDA websites at the county, state and national level.
- Establishes a minority farm registry.
- Provide funding for program of outreach and technical assistance to socially disadvantaged farmers.
- Provides funding for the extension Indian reservation program.
- Increase participation of socially disadvantaged farmers and ranchers in environmental quality incentives programs.
- Provide grants to upgrade agricultural and food sciences facilities at 1890 land-grant colleges, including Tuskegee University.

8. Equitable Participation in Programs

Minority participation in all USDA programs is substandard. In order to further the purposes of equitable participation in every program of the department the Secretary shall have full authority to enter into grants and contracts with community-based organization with demonstrated experience working with target populations to provide outreach and technical assistance. Likewise, the Secretary shall have full authority to utilize authorized funds in every program for this purpose.

These recommendations, when implemented, ensure adequate funding and fair access to credit programs vital to agriculture and assures that all farmers, minority and small-scale farmers in particular, are not denied access to USDA/FSA credit based on arbitrary time-limits or prior debt forgiveness. USDA should renew and extend the use of target participation rates to evaluate participation in programs and require reporting county-by-county of participation in direct, guaranteed and beginning farmer-lending programs.

Our research has demonstrated that minority and small-scale farmers receive most of the services they have through their cooperatives, community based organizations, Educational Institutions and from peers in their local community. Participation in USDA programs-particularly commodity programs-remains substandard among this segment of producers. At the same time, USDA outreach efforts vary widely from county to county. Participant rates have soared in areas where outreach and technical assistance is being done by community-based organizations that have been funded through the 2501 Minority Outreach and Technical Assistance Program. Additional funding should be directed at this program at a minimum of \$25,000,000 per year in order to adequately support all minority and small-scaled producers.

II. EQUITABLE ACCESS TO THE FARM CREDIT SYSTEM

Again, agriculture has witnessed significant declines of socially disadvantaged farmers and ranchers participating in the industry. The United States Department of Agriculture (USDA) Civil Rights Action Team Report indicated that for African-American, the number fell from 925,000, 14 percent of all farms in 1920, to 18,000 or 1 percent of all farms in 1992. And, as we all know the numbers continue to decline.

Some have concluded, and correctly so, that the reason for the decline can be attributed in part to the lack of financing made available to this underserved segment of agriculture and rural America. USDA has attempted to reverse the decline by implementing “outreach” programs and programs to target direct loan funds and guaranteed loan funds to Socially Disadvantaged (SDA) Farmers and Ranchers (defined as Blacks, not of Hispanic Origin, American Indians or Alaska Natives, Hispanic and Asians or Pacific Islander). However, of concern is USDA’s commitment. Accessing these and other programs at USDA has not been user friendly, as evidenced by the Black, Indian and Hispanic lawsuits against USDA. Additionally, USDA elected not to implement a Memorandum of Understanding entered into with the National Bankers Association, the 75-year old trade association for minority and women owned banks. The MOU would have provided about \$18.5 million to fund guaranteed loans to SDAs. The MOU is attached along with the Secretary Glickman’s announcement of the MOU.

We also have concerns about the lending practices of the Farm Credit System (FCS). As you know, the FCS is the single largest provider of financing for agriculture in the United States. The National Commission on Small Farms, in its January 1998 Report stated, “FCS has a poor record of lending to small, limited-resource, beginning and minority farmers”.

As you know, the FCS was created in 1916 with the establishment of 12 Federal Land Banks (FLBs). The government provided \$125 million in seed money for this purpose. In 1933, as a result of the Great Depression, FLBs required re-capitalization by the government and the lowering of interest rates. By 1968, the FCS paid off the government’s capital investment in the FCS. During the 1970s and 1980s, the ranges of services offered by the FCS were expanded significantly. Agriculture plummeted into a recession in the early and mid-1980s causing FCS to suffer a severe financial crisis which necessitated congressional assistance. Approximately \$1.26 billion in funds were provided. It must be noted that the funds have been repaid. Through the government/taxpayer assistance, the FCS was able to position itself to reach the unprecedented high levels of profitability and capital it is currently enjoying. The government/taxpayer assistance, while indirect, continues today and will continue tomorrow as evidenced by special appropriations for agriculture. The appropriations have hovered in the \$25 billion range in the past, and future appropriations are currently being debated. The funds have gone and will go to farmers and ranchers who use these funds in some cases to repay loans to the FCS. As a result, the FCS continues to have record profits and capital levels in spite of across the board low commodity prices. The reason for the FCS history and focus on past, present and future government/taxpayer assistance is to point up the absence of any public policy goal on the

part of the FCS, as it is with commercial financial institution which relies on support from the government/taxpayer.

We are talking about the Community Reinvestment Act (CRA). As you are aware, Congress passed CRA in 1997 essentially to fight discrimination in lending. Under CRA, regulatory agencies are required to assess financial institutions' record of lending, investing and providing services to low-to-moderate-income neighborhoods. Usually, minorities populate these neighborhoods. CRA applies to all federally-insured commercial banks, savings and saving associations. The rationale behind applying the CRA to depository financial institutions is that these institutions benefit from direct taxpayer guarantees. Customer deposits, which fund the activities of these institutions, carry government deposit insurance. CRA changed how bankers viewed their role in cities and has played an important role in improving access of credit to minorities. It is estimated that tens of billions of dollars have flowed into minority areas as a result of CRA.

While we are not advocating bringing the FCS under CRA, we are advocating requiring the FCS to meet the spirit and intent of CRA. Currently, Section 4.19 of the Farm Credit Act requires the FCS institutions to have programs for young, beginning and small farmers and ranchers. We recommended this section be amended to read, "young, beginning, small and SDA farmers and ranchers". Additionally, we are recommending that all references in the Farm Credit Act to young, beginning and small farmers and ranchers be similarly amended to include "SDA". I recall a similar recommendation in your (Congressman Hilliard) opening remarks during the March 7, 2001, hearing on National Charters for the FCS. Also, Congresswoman Maxine Waters raised regulatory and lending issues in an October 31, 2000, letter to Michael M. Reyna, Chairman/Chief Executive Officer of the Farm Credit Administration (the regulator for the FCS). The letter was the result of Mr. Reyna's October 3, 2000, testimony before the Banking Committee on National Charters for FCS institutions. The Congresswoman also made several recommendations. We endorse both the issues that were raised and the recommendations made. The Congresswoman's letter is attached.

In addition to the recommendation by Congresswoman Waters, and us, we also recommend that Section 4.25 of the Farm credit Act be amended. Under this Section, one or more FCB institutions acting together may organize a corporation (s) to perform certain services and functions, except for extending credit. We recommend this section be amended to specifically allow FCS institutions to form corporations to carry out Section of 4.19 as amended above.

October 31, 2000
Michael M. Reyna
Chairman/Chief Executive Officer
Farm Credit Administration
1501 Farm Credit Drive
McLean, VA 22102-5090

Dear Chairman Reyna:

Your participation in the hearing conducted by the House Banking and Financial Services Committee on October 3, 2000 provided a valuable orientation to the policy direction and

Leadership perspectives of the Farm Credit Administration (FCA). Again, I congratulate you on your appointment as Chairman and Chief Executive Officer.

As you will recall, our colloquy during the hearing revealed the need for FCA to examine its responsiveness to minority, women and socially disadvantaged farmers and farm communities. I was particularly dismayed that minority representation among the numerous associations throughout the farm credit system (System) is practically, if not literally, non-existent. The absence of minority participation in decisions of the associations may well account for the disappearance of African-American farm families.

The Farm Credit Act authorized credit and financial services for farm families challenged by economic crises including the lack or denial of access to financial markets. In addition, the public policy objectives of the Act include an obligation for the System to serve young, beginning and small (YBS) farmers and ranchers.

In order for the System to meet its responsibilities under the Act, a very deliberate program must be instituted to serve not only YBS farmers, but minority, women and socially disadvantaged farmers (MWS-D) as well. Toward this end, I strongly urge you to require that:

- An annual report be commissioned to record the loans and financial services sought and made available to MWS-D borrowers;
- All Local Service Area Plans (LSAPs) be required to include effective outreach programs designed to service minority, women and socially disadvantaged farmers and farm families;
- Annual goals and timetables are agreed upon by the local associations and your office in an LSAP approval process that will stimulate and guide local efforts to serve MWS-D;
- With your oversight, local associations and other decision-making bodies in the System review their rules, by-laws, practices and regulations in order to eliminate those that operate to suppress participation in the System by MWS-D farmers.

Please give your immediate attention to this matter, Chairman Reyna. Should your initial assessment of the resource and policy requirements of my request indicate that new legislative initiatives are needed, you are urged to inform me forthwith.

Sincerely,
Maxine Waters
Member of Congress